

STATEMENT BY
DAVID E. JANSSEN, CHIEF ADMINISTRATIVE OFFICER
2006-07 COUNTY OF LOS ANGELES PROPOSED BUDGET
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Thank you for coming to the release of the **2006-07 Proposed Budget for the County of Los Angeles**. We have prepared a presentation to help illustrate some of the major elements of the budget recommendations.

Total Budget Requirements - Slide 3

As the 2006-07 Proposed Budget chart indicates, the Proposed Budget for all County Departments and Districts is \$19.4 billion and includes funding for 98,622.7 employees. This is a decrease of \$503 million or 2.53 percent, of which \$234 million or 1.49 percent is for general County purposes and \$269 million or 6.43 percent is for Special Districts or Special Funds. The Proposed Budget adds 2,948.2 budgeted positions.

The \$503 million overall reduction to the 2006-07 Proposed Budget is the result of eliminating the one-time use of fund balance generated in Fiscal Year 2004-05 (-\$287 million), the deletion of cancellations of reserves/designations (-\$351 million), reductions to funding in Special Funds and Districts (-\$269 million), and various workload/caseload reductions (-\$153 million), partially offset by new program requirements (\$557 million).

Total Cost by Function - Slide 4

The Proposed Budget, divided into six functional areas reflects the following allocation:

- Health and Sanitation accounts for \$5.4 billion or 28 percent of overall budget representing less than a one percent increase from last year's budget.
- Public Assistance accounts for \$5.0 billion or 26 percent of the overall budget reflecting a slight decrease from last year's budget.
- Public Protection accounts for \$4.9 billion or 25 percent of the overall budget and a four percent increase from last year's budget.
- General Government accounts for \$2.3 billion or 12 percent of the overall budget, a ten percent decrease from last year's budget.
- Recreation and Cultural accounts for \$0.5 billion or three percent of the overall budget and a three and one-half percent increase from last year's budget.
- All Other, including Public Ways and Facilities, Education, Debt Service, Local Landscape Maintenance Districts, Designations, and General Reserves accounts for \$1.2 billion or six percent of the overall budget and represents a twenty-six percent decrease from last year's budget.

Total County Revenue - Slide 5

Total County revenue is \$19.4 billion, a 2.53 percent decrease over last year. This includes Special Funds and Special Districts as well as State and federal assistance for specific programs. Almost \$5.0 billion in locally generated revenue, which has decreased by less than two percent, is used to support general County programs.

Total Revenue General Fund - Slide 6

For the General Fund (excludes Special Funds, Special Districts and the Hospital Enterprise Funds) State, federal and other revenues that are restricted to specific uses account for approximately \$8.8 billion or 64 percent of all General Fund revenue. The remaining \$4.9 billion or 36 percent is available for allocation by the Board of Supervisors and is identified as net County cost.

Locally Generated Revenue - Slide 7

Although taxes and revenues are anticipated to increase over last year's budget figures, depletion of fund balance and the deletion of cancellation of reserves and designations that serve as a one-time financing source have contributed to an overall reduction of less than two percent for locally generated revenue.

Net County Cost by Function - Slide 8

The allocation of locally generated revenue, also referred to as net County cost (NCC), primarily reflects maintenance-of-effort and State and federal grant matching requirements as well as priorities of the Board, with emphasis on services to children, public health and public protection. As you can see, 39 percent of NCC is allocated to Public Protection, 21 percent to Health, and 10 percent to Public Assistance. General County use, including central service departments such as Auditor-Controller, Internal Services Department, and the Treasurer and Tax Collector, receive 23 percent of available funds. Other categories, including designations and general reserves, receive four percent of funds, and Recreation and Cultural Services receives three percent of available dollars.

Cost Comparison by Function - Slide 9

This chart compares the allocation of total County revenues to the allocation of locally generated revenues, which offset net County cost. While 54 percent of the County's total resources offset health and public assistance, and 25 percent offsets public protection, almost 40 percent of net County cost dollars are allocated to public protection and 31 percent are used to fund health and sanitation and public assistance.

Mandated vs. Discretionary Cost - Slide 10

As we have demonstrated, the County has limited control over funding allocations. Eighty-six (86) percent of the County's budget is spent on mandated programs or in meeting maintenance-of-effort requirements to avoid losing State or federal funds. Of the \$19.4 billion budget, \$2.7 billion or about 14.0 percent represents flexible costs, which funds additional public protection and health costs as well as one-time funding for critical capital project and infrastructure costs.

Program Specific Revenue/Fixed Costs - Slide 11

Program Specific Revenue/Fixed Costs account for over \$14.4 billion or 74.4 percent of the Proposed Budget. Over half of these funds are earmarked for Health and Social Services programs such as Medi-Cal, Medicare and CalWORKs, and almost one-third of these funds represent the County's Special Funds and Special Districts. Examples of Special Funds include courthouse construction funds, capital project funds, substance abuse treatment programs, the Public Library and Road Fund. Examples of Special Districts include the Fire Department, Public Work's Flood Control and Sewer Maintenance Districts, and Regional Park and Open Space Districts.

Non-Flexible Costs - Slide 12

Non-Flexible Costs account for \$2.2 billion or 11.6 percent of the Proposed Budget. These costs are tied to Public Safety maintenance-of-effort requirements, State and federal matching requirements, and statutory funding requirements such as indigent legal defense programs.

Flexible Costs - Slide 13

Flexible Costs account for \$2.7 billion or about 14 percent of the Proposed Budget. Almost a third of these costs are allocated for public protection, while 21 percent are earmarked for general government functions, over 16 percent for health services, and 15 percent reflects funding for Capital Projects that are in progress.

Budget Overview - Slide 14

The 2006-07 Los Angeles County Proposed Budget builds upon last year's budget that focused on increased funding for public protection and health services needs. Once again the budget provides funding for public protection and health services and in addition, provides additional resources for children's programs and highlights homeless services provided by the County.

Public Protection - Slides 15 and 16

The 2006-07 Proposed Budget continues the restoration of public protection

Sheriff

- Continues the restoration of 953 inmate beds and adds 60.0 positions throughout the Sheriff's custody system offset with a funding increase of \$31.4 million.

- Continues funding of \$9.2 million to complete the re-opening of the Century Regional Detention Facility as women's only jail.
- Sets aside \$25.0 million in funding for future security enhancements to the custody system.
- Improves custody medical services by increasing funding by \$10.0 million and adding 154.0 positions.
- Provides \$2.7 million in funding and 40.0 positions for operational costs associated with the opening of the new crime laboratory.
- Sets aside \$12.0 million in funding for the Interoperability and the Consolidated Fire/Sheriff-Office of Public Safety (OPS) Communication System Project.

Park Security

- Increases funding of \$2.7 million and adds 32.0 positions for enhanced patrol of County parks by the Office of Public Safety previously approved by the Board of Supervisors on January 31, 2006.

Probation Department

- Provides funding of \$17.4 million and adds 270.0 positions to fully implement corrective actions at the Department's juvenile halls that were approved by the Board of Supervisors on January 31, 2006.
- Increases funding of \$2.0 million and adds 30.0 positions for staff development and training.

DNA Units

- Creates DNA Units within the Alternate Public Defender, the District Attorney and the Public Defender to address increase workloads from the passage of Proposition 69 DNA Fingerprint, Unsolved Crime and Innocence Protection Act. Funding for these units totals \$4.5 million and adds 30.0 positions.

Children Services - Slide 17

The Proposed Budget recommends \$16.6 million in net County cost funding and adds 466.0 positions for programs that will improve permanence and safety for children and reduce social worker's caseloads for the Department of Children and Family Services.

Homeless and Housing Programs - Slide 18

The Proposed Budget establishes a new General Fund budget unit for homeless and housing program and transfers \$6.0 million of existing funding to centralize County resources for homeless programs.

On April 4, 2006, the Board approved the County's Homeless Prevention Initiative and directed the Chief Administrative Officer to identify \$80.0 million in one-time funding and \$15.6 million in ongoing funding during the Fiscal Year 2006-07 budget process to support the initiative.

The CAO will make funding recommendations to the Board during the Fiscal Year 2006-07 Budget Deliberations.

Health Services - Slide 19

The Proposed Budget includes a net increase of 828.7 positions, over half of which are nursing positions, and increases in appropriations to meet the operational needs primarily at the Health Department's hospitals and health facilities. The Proposed Budget also provides \$47.0 million in additional General Fund contribution designated as an intergovernmental transfer to generate \$94.0 million in additional revenue.

Health Services Pie Chart - Slide 20

The Department of Health Services provides services to the public through hospitals, health centers and countywide health programs, primarily financed by State and federal funds. Approximately 71 percent of the budget is allocated for County hospitals and health centers while 18 percent is earmarked for Public Health.

Mental Health - Slide 21

- Contains \$48.2 million in service reductions to address the Department's projected structural deficit. Although \$7.1 million in service reduction have been identified in the Proposed Budget, the DMH plans to work with stakeholders and community partners to restructure the service delivery system to achieve the remaining \$41.1 million in service reductions.
- Provides \$2.1 million in additional General Fund overmatch to fund 16.0 additional positions for the Public Guardian. The increase in funding is expected to improve probate conservatorship services and reduce caseload and investigation times.

Social Services - Slide 22

Department of Public Social Services

- CalWORKs Assistance - Reflects a reduction of \$103.3 million due to projected caseload reductions.
- In-Home Supportive Services (IHSS) - Reflects an \$8.2 million or 3.7 percent increase in funding to address projected caseload increases.

Community and Senior Services

- Reflects \$1.7 million in funding for repairs and maintenance of service and senior centers.

Public Assistance Charts - Slide 23

Public Assistance caseloads for the CalWORKs in the County is projected to decline for the fifth straight year, while IHSS caseloads are expected to climb for the fifth straight year. Indigent Aid is expected to continue to remain relatively static as it has for the last five years.

General Government - Slides 24 and 25

- Arts Commission's Proposed Budget includes a \$1.1 million increase for grant funding for non-profit art organizations.
- Assessor's Proposed Budget includes a \$10.0 million increase in funding due to the State's suspension of the Property Tax Administration Grant Program.

- Auditor-Controller's Proposed Budget adds \$2.6 million in additional funding for eCAPS midrange computing and maintenance cost increases required for Countywide implementation of the new budget system.
- Treasurer and Tax Collector's Proposed Budget recommends \$0.4 million in funding for the Countywide eCommerce initiative.
- Information Technology Budget includes a \$7.0 million increase to fund high priority information technology and telecommunication projects.
- Sets aside \$40.0 million in a General Fund designation for the development and implementation of the human resources module of the County's integrated financial system.

Other Funding Recommendations - LACERA Excess Earnings - Slides 26 - 27

The Proposed Budget continues the multi-year effort to reduce reliance on LACERA Excess Earnings. During the mid and late 1990s, the County had grown to rely heavily upon the use of unpredictable surplus retirement system (LACERA) earnings to meet its ongoing financing requirements. Consistent with the Board's cautious approach toward the use of one-time or uncertain funding, we began reducing the County's reliance upon surplus LACERA earnings by \$30 million per year over a multi-year period. Beginning in FY 2005-06 and continuing in FY 2006-07 (the ninth year of the program), the annual commitment was increased to \$50.0 million. In addition, the Proposed Budget recommends increases in utility costs of over \$16.0 million due to rate increases for electricity and natural gas as well as energy retrofit initiatives. The Proposed Budget also provides funding for the annualized cost of Board approved salary and employee benefit increases, as well as anticipated increases in salaries and employee benefits.

Unincorporated Area Services Gross Appropriation - Slide 28

This chart represents total funding of \$1.1 billion for unincorporated area services, which reflects services provided by eleven different County departments.

***Performance Counts!*, Program Definition - Slide 29**

Performance Counts! is a performance measurement framework implemented in 2004-05 to report whether programs are meeting the intent of the County's efforts, using data available to measure the program results and analysis of program quality.

***Performance Counts!*, Program Intent - Slide 30**

Performance Counts! helps the County determine whether programs are effective and whether they are being provided in the best way.

***Performance Counts!*, Current Status - Slide 31**

The 2006-07 Proposed Budget expands the budget integration pilot to twelve additional departments, enhancing the County's ability to determine what results were achieved with what resources. All remaining departments are scheduled to integrate their budget data with *Performance Counts!* Programs next year.

The 2006-07 Proposed Budget also reflects additional proposed STATS pilots - one in Animal Care and Control and one in a multi-departmental setting among the departments involved in the Florence-Firestone Community Enhancement Team. These efforts build on the successful DPSSStats effort and involve frequent (often monthly) focus on performance data trends among management in a group setting to allow for enhanced analysis of the data and development and tracking of targets for improvement.

Children and Families Budget - Overview - Slide 32

The Children and Families Budget represents year five of a five-year implementation process to link program performance measures with budget allocations, actual expenditures, and funding sources.

The Children and Families Budget supports the County's Strategic Plan Goal 5: Children and Families Well Being by measuring the contribution the County and its partners are making towards improving the five outcomes adopted by the Board of Supervisors:

- Good Health
- Safety and Survival
- Economic Well Being
- Social and Emotional Well Being
- Education and Workforce Readiness

Children and Families Budget - Slide 33

The Proposed Children and Families Budget is approximately \$5.0 billion, which accounts for approximately 21 percent of the County's total Proposed Budget.

Children and Families Budget - Departments - Slide 34

The Children and Families Budget is comprised of programs serving children and families in 21 County departments and agencies. Services are concentrated in seven County departments: Children and Family Services (DCFS), Child Support Services (CSSD),

Community and Senior Services (DCSS), Health Services (DHS), Mental Health (DMH), Probation and Public Social Services (DPSS).

Children and Families Budget - Revenue Sources - Slide 35

Federal, State and grant revenues offset 89 percent of Los Angeles County program costs for children and families. County departments have identified 114 unique revenue sources. DCFS is experiencing the greatest growth in revenue, while DPSS is experiencing the greatest decline in revenue.

Children and Families Budget - How LA Systems Affect Families - Slide 36

How over 40 programs may affect one Los Angeles County family.

Children and Families Budget - Good Health - Slide 37

County programs work to reduce the number of children and pregnant women who do not have health insurance coverage in Los Angeles County. In Fiscal Year 2004-05 100 percent of pregnant women who participated in the Prenatal Care Guidance Program were enrolled in Medi-Cal and other health coverage programs.

Children and Families Budget - Safety and Survival - Slide 38

For children participating in Family Preservation Services in Fiscal Year 2003-04, approximately ninety-five percent of children did not experience a recurrence of abuse and/or neglect. This rate is expected to show continued improvement.

Children and Families Budget - Economic Well Being - Slide 39

The Child Support Services Department has increased child support collections, resulting in improved economic conditions for children. Child Support Services has surpassed the federal minimum collection rate of forty percent by increasing the County's collection rate to forty-three percent.

Children and Families Budget - Social and Emotional Well Being - Slide 40

Between 1996 and 2004, the rate of births to teen mothers (per 1,000 females, ages 10-17) dropped significantly in the County to 8.4. The percentage of Nurse-Family Partnership Program participants experiencing a subsequent pregnancy within twelve months of a delivery decreased approximately in half between Fiscal Year 2003-04 and Fiscal Year 2004-05

Children and Families Budget - Education/Workforce Readiness - Slide 41

The Operation Read Program, which teaches reading and phonics skills to Probation and Department of Children and Family Services foster youth, continues to demonstrate impressive results. Participating youths' reading scores, indicate that sixty percent of assessed youth achieved reading scores greater than one grade equivalent in Fiscal Year 2004-05.

Capital Projects Summary - Slides 42

The 2006-07 Proposed Capital Projects/Refurbishments Budget reflects the carryover of \$781.6 million in appropriation to continue the development, design and construction of 496 high priority projects, including:

- Completion of the LAC+USC Medical Center Replacement Project
- Construction of the Countywide Data Center
- Development, design and construction of capital projects at County parks, beaches, libraries, and health, public protection, general government and public works facilities.

Nearly \$377.8 million in appropriation is offset by revenue with the remaining \$403.9 million funded by local discretionary funds.

Total value of the projects under development, design or construction is estimated at \$2.5 billion.

Workers' Compensation Costs - Slide 43

Workers' Compensation costs, which peaked at \$324.4 million in Fiscal Year 2003-04, are estimated to total less than \$285.0 million in Fiscal Year 2005-06. The decrease is primarily attributable to significant legislative reforms enacted in 2003 and 2004 coupled with increased loss control and preventative activities by County departments and the County's risk manager. However, we are conservatively projecting that workers' compensation costs will begin to increase starting in FY 2005-06 and continue through FY 2006-07 due to a number of factors including adverse case law decisions and the impact of medical inflation.

Financing Assumptions, Major Revenue Sources - Slide 44

The Proposed Budget assumes an 8.5 percent growth in Property Tax, a 3.5 percent growth in Local Sales Tax, a 3.5 percent growth in Realignment Sales Tax, a 3.5 percent increase in Public Safety Augmentation Sales Tax and a 6.1 percent increase in State Realignment Vehicle License Fees (VLF).

State Budget Impact - Slide 45

The Governor's proposed State Budget has substantially less of an impact to the County than in prior years due primarily to the passage of Proposition 1A. Proposition 1A, approved by voters in November 2004, prevents the State from arbitrarily reallocating local property taxes to reduce their cost for funding schools as they did in the past.

Governor's Proposed Budget Potential Impacts - Slide 46

The Governor's proposed budget contains actions that if adopted could impact the County. These actions are not addressed in the County's Fiscal Year 2006-07 Proposed Budget pending legislative action on the Governor's proposals, but will need to be addressed if they are approved by the legislature. The proposals include CalWORKs Program reductions that total \$88.2 million and AB 3632 Program reductions that total \$3.3 million.

Potential Federal Budget Impact - Slide 47

The President's Federal Fiscal Year (FFY) 2007 Budget proposes to eliminate a number of programs of County interest including:

- State Criminal Alien Assistance Program (SCAAP)
- State and Local Law Enforcement Terrorism Prevention
- Staffing for Adequate Fire and Emergency Response
- Justice Assistance Grant
- Community Services Block Grant

The President's Budget proposes major reductions for the following discretionary programs of County interest:

- Community Development Block Grant would be reduced from \$3.711 billion to \$2.975 billion in FFY 2007;
- Social Services Block Grant funding would be cut from \$1.7 billion to \$1.2 billion.

The President's Proposed Budget would also reduce Medicaid funding for government providers by nearly \$6.0 billion over five years, which could potentially cost the County's public hospitals \$200.0 million a year.

This concludes the Los Angeles County 2006-07 Proposed Budget presentation.